

Orosur Mining Inc.: Q3 2017 Results & Operations Update

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YTD: \$4.1M Profit, \$8.7M Cash From Operations & First Quarter of New San Gregorio West UG Mine Production

[Orosur Mining Inc.](#) (“Orosur” or “the Company”) (TSX/AIM: OMI), the South American-focused gold producer, developer and explorer is pleased to announce its unaudited results for the third quarter ended February 28, 2017 (“Q3 17” or the “Quarter”) and an update of its exploration and development activities. All dollar amounts referred to in this announcement are stated in US dollars.

OPERATIONAL HIGHLIGHTS

- Successful completion of first full quarter of production of Orosur’s new mine, San Gregorio West Underground (“SGW UG”).
- Availability of services at SGW UG, such as water, power, access and ventilation as well as operational factors such as fortification and development works have been implemented successfully.
- Q3 2017 production was 7,820 oz of gold, in line with the 7,274 ounces produced during Q3 2016, and also in line with full year guidance of 35,000 to 40,000 oz. The Company views this positively considering production is typically lower during the ramp up of new mines.

FINANCIAL HIGHLIGHTS

- Quarterly cash operating costs were \$858/oz (6% reduction from Q2), in line with expectations and guidance for FY 17, which remains \$800 to \$900/oz. As a result of the additional development capex associate with the SGW UG mine, including ramp, access and ventilation shaft work, All-In-Sustaining Costs (“AISC”) were \$1,289/oz compared to \$978 oz in Q3 16.
- Year to date (“YTD”) aggregate capex of \$9.0M due to the Company’s higher than anticipated investments following the exploration successes at SG UG East and Central and the Company’s strategy to develop a larger UG mine at and around SGW.
- The Company remains committed to developing SG UG without any external funding as planned and the total cash balance at Quarter end was \$2.4M (compared to FY 16: \$4.3M), with total debt remaining at \$0.2M compared to \$0.4M at May 31, 2016.
- Cash generated from operations YTD amounts to \$8.7M (YTD 16: \$5.9M).
- YTD net profit after tax is \$4.1M (YTD 16: profit of \$0.5M).
 - Average gold price of \$1,198/oz compared with \$1,143/oz during Q3 2016

OUTLOOK

- Exploration drilling in and around the San Gregorio UG area has yielded positive results, successfully intersecting gold mineralization in every hole, which is expected to significantly enhance mine economics and increase reserves and resources in the short and medium term. Further drilling is underway and ongoing.
- In Colombia, the Company finalized a geological model of its high grade Anzá gold project to determine the exploratory potential with the assistance of Mine Development Associates (“MDA”) of Reno, Nevada. The results of this work were announced on January 19th, 2017.
- The Anzá project includes a gypsum mine, which has environmental and mining permits granted by the Colombian authorities. As previously announced, Orosur has recently taken over operatorship of the mine. The gypsum permits can be readily expanded for additional tonnage, providing the ability for Orosur to fast-track permitting for future gold mining operations.

Ignacio Salazar, CEO of Orosur, said:

“Operations remain healthy and profitable, with \$8.7M of cash generated in the first three quarters of

our fiscal 2017. We are especially pleased with progress so far given this is the first quarter with SGW UG as the Company's primary source of ore feed to the plant in Uruguay, achieving a unit operating cost of \$858/oz in the Quarter despite the normal constraints associated to the initial months of operation of a new mine.

As previously announced, SGW UG has been financed entirely from operational cash flow and the Company aims to maintain this financial discipline in its future expansion into SG UG East and Central, with the objective of developing a larger UG mine in, around and below the current SGW UG.

In Colombia, we have made significant progress in the geological interpretation and modelling of our high grade Anzá gold project and we plan to commence a 15,000m - 30,000m drilling campaign. We are excited to be moving this project forward since taking over operatorship of the gypsum mine, which has now resumed operations after finalizing remediation work and improved operational standards during the quarter. With exploitation permits in place, the existing gypsum can be readily expanded, enabling Orosur to fast-track future gold mining operations.

Operational & Financial Summary¹

		Q3 17	Q3 16	Diff	YTD 17	YTD 16	Diff
Operating Results							
Gold produced	Ounces	7,820	7,274	546	24,623	27,917	(3,294)
Operating cash cost ³	US\$/oz	858	803	55	807	886	(79)
AISC	US\$/oz	1,289	978	311	1,184	1,096	88
Average price received	US\$/oz	1,198	1,143	55	1,263	1,131	132
Financial Results (unaudited)							
Net profit after tax	US\$ ‘000	363	3,071	(2,708)	4,064	475	3,589
Cash flow from operations ²	US\$ ‘000	1,674	4,804	(3,130)	8,703	5,902	2,801

Cash & Debt Summary (unaudited)		Feb. 28, 2017	May 31, 2016	Diff
Cash balance	US\$ ‘000	2,400	4,320	(1,920)
Total debt	US\$ ‘000	161	352	(191)
Cash net of debt	US\$ ‘000	2,239	3,968	(1,729)

¹ Results are based on IFRS and expressed in US dollars

² Before non-cash working capital movements

³ Operating cash cost is total cost discounting royalties and capital tax on production assets.

Q3 2017 Operations and SGW Development

Q3 2017 production was 7,820 oz of gold, in line with the 7,274 oz produced during Q3 2016.

In Q2 2017 the Company transitioned from Arenal UG to SGW UG, following which Q3 2017 saw commissioning of the SGW UG new mine concluded successfully. Availability of services such as water, power, access and ventilation as well as operational factors such as fortification and development works have been implemented with approximately 60% of gold production for the Quarter coming from the SGW UG mine in this, its first quarter in production. Typically ore production and operational efficiencies are lower at the start of any new mine, especially underground operations, due to the low operational flexibility given the lack of available production stopes. As the SGW UG mine development advances, efficiency is expected to improve and the Company expects to see improvements as early as Q4 2017.

Q3 2017 Financial Summary

Average cash operating costs were of \$858/oz, compared to \$803/oz in Q3 2016. As previously announced in the Company's Q2 2017 results, with the new SGW UG mine commencing production in the Quarter, unit costs have begun to gradually reduce (cash operating costs in Q2 2017 were: \$914/oz) and the Company expects the same trend to continue in Q4 2017 given more available production stopes and higher

grades from SGW UG.

During the Quarter, the Company invested \$3.2M in capex and \$0.4M in exploration compared to \$0.9M and \$0.6M, respectively, in Q3 2016. The bulk of the investment for the construction of the SGW UG mine was concentrated in Q2 and Q3 2017 including work related to the ramp, access and the ventilation shaft. In addition, the Company completed construction of phase 4A of the tailings dam during the Quarter. As a result of the additional capex in SGW UG and phase 4A of the tailings dam, AISC were \$1,289/oz compared to \$978/oz in Q3 2016. This marks a reduction compared with Q2 2017 (\$1,345/oz); a trend the Company expects to continue in Q4 2017 and beyond.

The average gold price realized for the Quarter was \$1,198/oz (Q3 2016: \$1,143/oz).

Net profit after tax was \$0.4M compared to a profit of \$3.0M in Q3 2016. The difference in profit between the two quarters was mainly due to the benefit of \$2.5M recognized during Q3 2016 as a result of the settlement with the Government of Uruguay for the elimination of the benefit relating to the export of industrialized goods, as previously announced.

YTD profit after tax was \$4.0M compared to a profit of \$0.5M in the same period of the previous fiscal year. The improvement is mainly due to a higher realised price of gold (\$1,263/oz) compared to (\$1,131/oz) and lower overall costs of sales, which have been partially offset by lower relative production for the period; overall, resulting in more profitable production (Contribution margin YTD 2017: \$9.3M compared to \$5.2M in YTD 2016).

Cash flow from operations before working capital variations was \$1.7M compared to \$4.8M in Q3 2016 (which also included the \$2.5M settlement explained above). YTD 2017 cash flow from operations before working capital variations was \$8.7M compared to \$5.9M for the prior year due to better operating performance in YTD 2017 as explained above.

The cash balance at the end of the Quarter was \$2.4M compared with \$4.3M at May 31, 2016. The decrease in cash was mainly due to increased investment in the development of the SGW UG (total investment in SGW UG during the period ended February 28, 2017 with total capitalised expenditure at period end of \$5.2M compared to \$1.0M as at May 31, 2016). The YTD total capex amounts to \$9.0M as the Company is made higher than anticipated investments following the exploration successes in SG UG East and Central as Orosur plans to develop a larger UG mine in and around SGW UG. The Company remains committed to develop SG UG without any external funding, as planned, and the debt balance at the end of the Quarter remained \$0.2M compared to \$0.4M at May 31, 2016. The current debt outstanding is related to equipment leases.

Orosur has a \$1.5M committed and undrawn line of credit with Banco Santander available as at February 28, 2017, and as of the date hereof.

FY17 Outlook & Guidance

The Company's forecast production guidance for FY17 remains between 35,000 to 40,000 oz of gold at operating cash costs of between \$800 - \$900/oz.

As in the past, variations in production and unit costs have been expected to occur, quarter on quarter, as the mine plan draws ore from multiple sources at varying grades, stages of development and stripping factors. As previously announced, the Company incurred higher unit costs during the transition and start of operations in SGW UG which are expected to decrease further in Q4 2017 given successful progress in the SGW UG development.

Uruguay Underground Exploration Projects - Potential for Significant Expansion of the SGW UG Mine

SGW UG is a continuation, at depth, of the historic San Gregorio open pit deposit which has produced approximately 536,000 oz at an average grade of 2.12 g/t. During FY17, the Company intends to add

reserves and expand prospective SGW UG operations within three neighboring underground projects. These projects are the SGE Underground, SGW UG Deep Extension and the SG Central UG areas. The last two projects relate to areas which were not previously considered in the SGW UG mining plans and represent new opportunities with a strong potential for near term resource and reserve delineation.

A comprehensive and extensive drilling campaign is currently being carried out at San Gregorio. During FY 17, a total of 9,000m of drilling are planned in order to confirm and increase reserves and extend the SGW UG mine.

At the end of the Quarter, 6,000m, of the planned 9,000m have been drilled:

a) SGE UG: After finalizing a drilling program of 19 drill holes (totalling 3,803m) in this area, a geological and a block model has been built and the Company is currently working on reserves estimation. Drilling information indicates that this zone is still open in the East.

b) SGC UG: Four new holes have been drilled in the area, for a total of 16 holes (totaling 3,315m), with 2 holes (610m) remaining to be drilled in SGC UG for the remainder of FY 17.

The results of the new holes indicate:

Hole ID	From (m)	To (m)	Intercept
SGDD16-84B	310.25	313.40	3.15 m @ 4.20 g/t
SGDD16-081	243.70	249.30	5.60 m @ 1.14 g/t
SGDD17-080	272.00	282.55	10.55m @ 1.11 g/t
SGDD17-082B	244.20	246.70	2.50m @ 1.13 g/t
SGDD17-083	268.40	271.85	3.45m @ 0.63 g/t

Current results indicate the potential existence of additional reserves in the immediate area. There also appear to be strong indications that mineralization extends to the western part towards the SGW UG mine. Further drilling, planned in the current proposed drill program, is required to validate this.

To see a full PDF of the release with images, [click here](#).

Uruguay Open Pit Exploration Projects

Veta Rey

An RC drilling campaign has been finalized at Veta Rey. A total of 19 holes totaling 983m were completed. Five of these holes were categorized as infill drilling; with the rest aimed to testing the continuity of central and south orebodies. Infill drilling has successfully validated the remaining reserves; however, exploratory drilling has failed, at this point, to prove the continuity of the mineralization between the two ore zones.

Sobresaliente Domain

To date, four holes, from a program of six, have been drilled at the Mantos Verdes project in the Sobresaliente domain with the following results:

Hole ID	From (m)	To (m)	Intercept (m)	Total length (m)	grade including (g/t)
MVRC17-01	5	7	2	31	0.32
MVRC17-02	14	18	4	43	0.80 1 m @ 2.22 g/t
MVRC17-03	19	22	3	32	0.96 1 m @ 2.2 g/t
MVRC17-04	21	24	3	35	3.26 1 m @ 9.1 g/t

This drilling has identified a mineralized zone which currently is being economically reviewed.

Colombia

The Company continues to advance its high grade Anzá gold project. During Q3 2017, the Company finalized a geological model. Based on this geological interpretation, an exploration target was formulated with the assistance of MDA and the results announced on January 19th, 2017.

During 2017, the Company plans to commence a 15,000m - 30,000m drilling campaign, culminating in the preparation and publishing of a maiden N.I. 43-101 compliant resource report for the APTA project. Currently the Company is in the planning and tender process for the above mentioned drilling program.

The Anzá project includes a gypsum mine, which has environmental and mining permits granted by the Colombian authorities. Historically, the gypsum mine was operated by a third-party contractor. As previously announced, Orosur recently took over operatorship of the mine. The Anza gypsum mine is back into operation after Orosur finalized remediation work and improved operational standards during Q3 2017. Current mining activities are focussed on operational development work required to re-start gypsum extraction. The gypsum permits can be readily expanded, providing the ability for Orosur to fast-track permitting for future gold mining operations. The Company anticipates that by operating a mine at Anzá in parallel with the gold exploration drilling campaign should, allow Orosur to advance the gold project more swiftly and accurately towards feasibility.

Qualified Person's Statement

The technical information related to the current assets of Orosur in this presentation has been reviewed by Miguel Fuentealba, a Mining Engineer who is considered to be a Qualified Person under NI 43-101 reporting guidelines. Mr. Fuentealba is a graduate in Mining Engineering from the University of Santiago de Chile and is an AusIMM Member and Qualified Person of Chilean Mining Commission. Mr. Fuentealba has 20 years of professional experience in the field of mining engineering, mine development and management.

Forward Looking Statements

All statements, other than statements of historical fact, contained or incorporated by reference in this news release, including any information as to the future financial or operating performance of the Company, constitute "forward-looking statements" within the meaning of certain securities laws, including the "safe harbour" provisions of the Securities Act (Ontario) and the United States Private Securities Litigation Reform Act of 1995 and are based on expectations estimates and projections as of the date of this news release. There can be no assurance that such statements will prove to be accurate. Such statements are subject to significant risks and uncertainties, and actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements include, without limitation success of exploration activities; permitting time lines; the failure of plant; equipment or processes to operate as anticipated; accidents; labour disputes; requirements for additional capital title disputes or claims and limitations on insurance coverage. The Company disclaims any intention or obligation to update or revise any forward looking statements whether as a result of new information, future events and such forward-looking statements, except to the extent required by applicable law.

For more information, please visit www.orosur.ca

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ('MAR'). Upon the publication of this announcement via Regulatory Information Service ('RIS'), this inside information is now considered to be in the public domain.

About Orosur Mining Inc.

[Orosur Mining Inc.](#) is a fully integrated gold producer, developer and explorer focused on identifying and advancing gold projects in South America. The Company operates the only producing gold mine in Uruguay

(San Gregorio) and has assembled an exploration portfolio of high quality assets in Uruguay, Chile and Colombia. The Company is listed in Canada (TSX: OMI) and London (AIM: OMI).

Orosur Mining Inc.

Condensed Interim Consolidated Statements of Financial Position

Thousands of United States Dollars, except where indicated

	As at February 28, 2017 (\$)	As at May 31, 2016 (\$)
Assets		
Cash	2,400	4,320
Accounts receivable and other assets	1,939	1,770
Inventories	12,189	12,069
Total current assets	16,528	18,159
Accounts receivable and other assets	550	550
Property, plant and equipment and development costs	14,686	10,106
Exploration and evaluation costs	18,785	17,250
Deferred income tax assets	2,534	2,534
Restricted cash	228	221
Total non-current assets	36,783	30,661
Total assets	53,311	48,820
Liabilities and Shareholders' Equity		
Trade payables and other accrued liabilities	10,981	10,586
Current portion of long-term debt	161	253
Environmental rehabilitation provision	360	360
Total current liabilities	11,502	11,199
Long-term debt	-	99
Environmental rehabilitation provision	5,232	5,327
Total non-current liabilities	5,232	5,426
Total liabilities	16,734	16,625
Capital stock	61,110	60,751
Contributed surplus	5,832	5,925
Deficit	(29,433)	(33,497)
Currency translation reserve	(932)	(984)
Total shareholders' equity	36,577	32,195
Total liabilities and shareholders' equity	53,311	48,820

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Condensed Interim Consolidated Statements of profit/(loss) and Comprehensive profit/(loss)

Thousands of United States Dollars, except for loss per share amounts

	Three months ended		Nine months ended	
	February 28 2017 (\$)	February 29 2016 (\$)	February 28 2017 (\$)	February 29 2016 (\$)
Sales	8,845	8,936	32,268	33,591
Cost of sales	(8,376)	(8,187)	(27,186)	(33,352)
Gross profit	469	749	5,082	239

Corporate and administrative expenses	(457)	(474)	(1,688)	(1,664)
Restructuring costs	(144)	(217)	144	(1,911)
Exploration expenses and exploration written off	(6)	(3)	(17)	(14)
Obsolescence provision	(1)	-	(101)	-
Other income	471	2,722	1,328	3,467
Net finance cost	(53)	(68)	(143)	(205)
Derivative loss	-	-	(412)	-
Net foreign exchange gain/(loss)	78	378	(110)	560
	(112)	2,338	(999)	233
Profit before income tax	357	3,087	4,083	472
Recovery (provision) for income taxes	6	(16)	(19)	3
Net profit for the period	363	3,071	4,064	475
Other comprehensive profit/(loss)				
Cumulative translation adjustment	109	(144)	52	(951)
Total comprehensive profit/(loss) for the period	472	2,927	4,116	(476)
Profit per common share:				
Basic	0.00	0.03	0.04	0.00
Diluted	0.00	0.03	0.04	0.00

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Condensed Interim Consolidated Statements of Cash Flows

Thousands of United States Dollars, except where indicated

	Nine months ended	
	February 28 2017 (\$)	February 29 2016 (\$)
Net inflow/(outflow) of cash related to the following activities		
Cash flow from operating activities		
Net profit for the period	4,064	475
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation	4,208	5,006
Exploration and evaluation expenses written off	17	14
Obsolescence provision	101	-
Fair value of derivatives	181	-
Accretion of asset retirement obligation	57	57
Stock based compensation	49	28
Gain on sale of property, plant and equipment	(187)	(15)
Other	213	337
Subtotal	8,703	5,902
Changes in working capital		
Accounts receivable and other assets	(259)	(2,325)
Inventories	(220)	3,137
Trade payables and other accrued liabilities	395	(4,142)
Net cash generated from operating activities	8,619	2,572
Cash flow from financing activities		
Loan payments	(191)	(1,066)
Proceeds on sale of common shares of Anillo SPA	-	710
Net cash used in financing activities	(191)	(356)
Cash flow from investing activities		

Purchase of property, plant and equipment and development costs	(8,829)	(2,638)
Environmental tasks	(152)	(198)
Proceeds from the sale of property, plant and equipment	240	33
Exploration and evaluation expenditure assets	(1,607)	(2,239)
Net cash used in investing activities	(10,348)	(5,042)
Decrease in cash	(1,920)	(2,826)
Cash at the beginning of period	4,320	4,787
Cash at the end of period	2,400	1,961

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Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

Thousands of United States Dollars, except where indicated

	Nine months ended	
	February 28	February 29
	2017 (\$)	2016 (\$)
Capital stock		
Balance at beginning of period	60,751	60,544
Termination consideration	-	195
Exercise of stock options	326	-
Grant of shares	33	-
Balance at end of period	61,110	60,739
Broker Warrants		
Balance at beginning of period	-	62
Balance at end of period	-	62
Contributed surplus		
Balance at beginning of period	5,925	5,824
Stock based compensation recognized	90	28
Exercise of stock options	(183)	-
Balance at end of period	5,832	5,852
Deficit		
Balance at beginning of period	(33,497)	(32,287)
Net profit for the period	4,064	475
Balance at end of period	(29,433)	(31,812)
Currency translation reserve	(932)	(1,208)
Shareholders' equity at end of period	36,577	33,633

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